KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2010/2011

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT AND TRADE)

KBT 106: AGRIBUSINESS TAXATION

DATE: TUESDAY, 5TH APRIL 2011 **TIME: 11.00 A.M. - 1.00 P.M.**

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

1. a) Define agribusiness tax giving its characteristics. (5 marks)

   b) Distinguish between the following;

   (i) Canon of flexibility and Canon of elasticity (2 marks)

   (ii) Direct taxes and indirect taxes (2 marks)

   (iii) Digressive tax and Regressive tax (2 marks)

   (iv) Tax evasion and Tax avoidance (2 marks)

   (v) Exempt supplies and Zero rated supplies (2 marks)

c) Describe administration of income tax and the year of income from the point of view of income tax in Kenya. (5 marks)

d) State three (3) allowable deductions form benefit income for tax purposes. (3 marks)

e) Discuss Tax amnesty highlighting its objective as a policy in tax administration. (5 marks)

f) List any six (6) incomes that are exempted from income tax. (6 marks)

g) Explain any three (3) purposes for which taxes are levied. (6 marks)

2. a) Define the Value Added Tax (V.A.T) and explain its advantages and disadvantages as a tax in agribusiness. (11 marks)

(b) Differentiate explaining the purposes between Custom duties and Excise duties. (4 marks)

3. a) Samar Limited in Githurai started its operations in January 2005. The company had incurred the following capital expenditure:

	Kshs.
Cost of land	400,000
Cost of buildings	1,600,000
New machinery installed	1,200,000
Delivery Vans	400,000

Calculate the capital allowances due to the company for the year 2005. (11 marks)

(b) Discuss balancing allowance/charge. (4 marks)

4. a) Mr. Ndiema is a married person. He and his wife had the following income for the year 2005.

(i) Mr. Ndiema
- Salary 170, 000 (P.A.Y.E sh. 25,000)
- Dividends 30,000 (Withholding tax sh. 4,500)

(ii) Mrs. Ndiema
- She is employed as a teacher at a salary of 6,000 p.m. (P.A.Y.E sh. 2,500)
- She runs a small business. Her income from business was sh. 60,000 during the year.

Calculate the tax payable by Mr. and Mrs. Ndiema for the year ended December 2005. (11 marks)

(b) Write short and concise notes on wife's income. (4 marks)